



Corporate Climate Risk: Growing Opportunities for Green Power Purchases

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US EPA Green Power Partnership



EPA Green Power Partnership

- **Transforming Markets for Renewable Energy**
 - Encourage voluntary purchases of renewable energy
 - Build demand for new renewable energy facilities
 - Reduce the risk of climate change
- **Offering Carrots, Not Sticks**
 - Offer credible benchmarks and market information
 - Promote partners' environmental leadership
- **Keeping It Simple**
 - Sign agreement and complete purchase within 1 year
 - Provide annual update



Evolving Climate Change Context?

- Domestic regulatory uncertainty
- Regional initiatives
- Different international imperatives
 - Pose key challenges for multinational companies
- Shifting public opinion
- Increasing importance of financial stakeholders
- Transformation of climate change from “environmental” issue to “risk” (fiduciary and otherwise) issue

Increasing Stakeholder Interest

- Investor initiatives are focusing on climate change risk:
 - UN Investor Network on Climate Risk (24 investors, +\$3 trillion in assets).
 - Carbon Disclosure Project (89 investors, +\$9 trillion assets).
 - CalPERS and CalSTRS 4-point plans (+\$250 billion in assets).
 - Interfaith Center on Corporate Responsibility (+\$200 billion in assets).
 - Coalition for Environmentally Responsible Economies (CERES)
 - Screened investing represents 13% of all US assets under management & environment is third most popular screen

Why Do Financial Stakeholders Care?

- Environmental performance influences stock performance
 - Environmental performance is an excellent proxy for management quality.
 - Management quality is a leading determinate of stock market performance.
- Buying Green Power addresses both = exemplary environmental performance and climate change risk management
 - If carbon is an issue, green power is the perfect carbon-free solution!
 - Stakeholders want to know about positive corporate actions.

Stakeholder Action

- Shareholder resolutions about climate change are increasing:
 - In 2005, 30 shareholder resolutions on climate change
 - In 2001, six resolutions filed
 - Voting support levels set new records each year
 - Companies are responding with concrete action

What Do Stakeholders Need?

- Quantifiable, trackable & comparable metrics
 - What is credible environmental performance?
 - What is outstanding environmental performance?
 - How do companies compare to each other?
 - An easy-to-understand story that doesn't require extensive explanation or technical expertise.
 - A source(s) for this information.
 - EPA tends to be recognized as an impartial, credible resource.

What Do Businesses Need?

- A credible response to stakeholders' concerns
- High value-to-cost ratio
- A solution that doesn't require extensive technical explanation
- Ease of implementation
- CEO suitability

Green Power Provides Those Solutions

- Provides low-cost, high-impact environmental performance improvement
- One-step, scalable environmental leadership strategy
- Easy to understand and communicate!!
 - “Elevator story”
- Trackable, comparable.
- Captures favorable attention on Wall Street
- Supports growing industry focus on climate change
- Marketing value can exceed energy or environmental value
- Compelling cost to benefit ratio
- Cost stability = management acuity

Implications & Opportunities

- Green power purchases by the largest electricity users will increase
 - Those companies are actively looking for efficient solutions!
- The corporate audience is broad
 - Facilities, corporate real estate, CFO, communications, investor relations, EH&S, sustainability
 - Often, these folks don't talk with one another
- GP purchases need to be messaged to financial stakeholders
 - EPA GPP working specifically on this
- Financial stakeholders with an interest in climate change are a new & large potential market for purchasing
 - Electricity use is the primary environmental impact

Questions?

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